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Poultry and Products

Annual

2006

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Report Highlights:

Forecast for 2006 and 2007 is for an increase in poultry production. Increases in production continue to be driven by a rising consumer demand. Consumer demand is growing because of higher disposable incomes and the direct effect of an expansion of government poultry purchases.

The forecast for 2006 and 2007 is that poultry imports will grow by 20 and 25 percent, respectively. All poultry imports are carried out by the Government of Venezuela, largely from Brazil.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Caracas [VE1]
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Production

Forecast for 2006 and 2007 is for an increase in poultry production of 6 and 9 percent respectively. Increases in production continue to be driven by rising consumer demand. Consumer demand is growing because of higher disposable incomes and the direct effect of an expansion of government poultry purchases. The Government of Venezuela (GOV) continues its policy of offering low-priced food products to the poor, and poultry is included in their basket of food products.

Production Problems

Despite increasing demand for poultry products, the domestic industry deals with increasing costs of production and a controlled price at the retail level, which has been unchanged since 2004. Costs of production are affected as the industry heavily depends on imported yellow corn, soybean meal, and yellow grease to produce animal feed. Salary and other labor benefits decreed by the GOV also have an impact on the cost of production.

Venezuela's feed manufacturers and poultry producers are forced to purchase the surplus of domestically produced white corn before having access to imported feed ingredients. Corn production in Venezuela mainly consists of white corn for human consumption. Venezuela's food processing industry uses almost the entire white corn crop to make corn flour for "arepas", a corn bread considered staple food by Venezuelans. Once the food processing industry fills its demand for white corn, the surplus is sold to the animal feed manufacturers. At the time of writing this report, there is a surplus of domestic white corn. Corn producers are requesting the GOV to halt the issuance of import licenses until the crop is completely purchased by the animal feed manufacturers.

The animal feed manufacturers and the poultry industry prefer imported commodities such as yellow corn, soybean meal and yellow grease, due to better quality and lower prices. Access to imported feed ingredients is limited because of government control over the issuance of import licenses for these products, which has become even more restricted. In addition, imports are also subject to foreign exchange controls. Venezuela's poultry industry could be 100% self-sufficient if it had more access to imported feed ingredients.

The process of registering processed food products as well as importing basic commodities involves several ministries and agencies. Paperwork goes from import permits, licenses, certificates, sworn-declarations of domestic production based on imported inputs, to foreign exchange applications and laboratory analysis, to name just a few. Yet, Venezuela's poultry industry continues to make strides in productivity in spite of such constraints.

Production Structure

About 80% of domestic poultry production is concentrated in Venezuela's central and southwestern states of Aragua, Carabobo, Miranda and Zulia. Larger poultry companies have acquired smaller companies, which are unable to deal with increasing costs of production and price controls at the retail level. In general, the Venezuelan poultry industry is vertically integrated (feed processing, hatcheries, poultry farms, slaughterhouses, processing, distribution and marketing), aimed at improving operational efficiencies.

Price Controls

With the objective of keeping food products available at reasonable prices, the GOV implemented price controls in February 11, 2003. This move was made in conjunction with the imposition of exchange controls in late January 2003, and was an attempt by the government to help restrain inflation.

Poultry and eggs are included in the list of price controls. The latest price increase for poultry was decreed by the GOV in April 2004. Since then the poultry industry has insistently lobbied the GOV for a price increase. On several occasions, the domestic poultry industry and the animal feed manufacturers have presented cost of production structures to the GOV that justify an increase in the retail price. According to the poultry industry, these efforts have been fruitless. There is no indication that the GOV will increase the price of poultry nor will it lift price controls in the near future. Current prices of meat are shown in the following table:

**Price Comparison Between Poultry, Beef and Pork Meat
(Bolivars per Kilo)**

Product	Free Market Price/ 1	Controlled Price/ 2
Poultry	3,500	3,130
Beef	14,500	10,800
Pork	8,800	4,000

Source:

1/ Wet market quotes as of August 2006.

2/Official Gazette N° 37,918, dated 04/15/04 and N°37,629, dated 02/11/03

Exchange rate Bs. 2,150 per 1 US\$

Large stores, such as the hypermarkets, supermarket chains, and established butcher shops are required to sell products at the established price on the price control list. Offering market prices above the official controlled price is an illegal practice and leads to steep fines and can lead to temporary closures of poultry facilities, supermarkets and hypermarkets. These closures occurred repeatedly in 2005 and continue to happen during 2006.

Production Levels: An Estimate

There is no consent on poultry production levels. The GOV does not publish production figures. Only the Venezuelan Poultry Federation (in Spanish: Federación Venezolana de Avicultura, or FENAVI) has published production data, although some agricultural sectors doubt these figures. Therefore, FAS/Caracas is estimating poultry production levels based on past levels, estimates for local demand based on current prices, and a review of availability of feed ingredients. For more information on poultry production and feed availability, please refer to the end of this report.

Consumption

Poultry consumption is forecast to expand in 2006 and 2007, as result of higher disposable incomes and because poultry remains the cheapest source of animal protein as compared to beef and pork meat. During the last three years, the GOV has developed a food distribution system based on food procurement and a network of stores. Poultry and poultry products are included in these programs. The GOV, through its procurement agency called CASA, purchases both domestic and imported poultry. The GOV then sells the poultry through its network of food stores called MERCAL, at prices below the controlled price level.

Venezuela's annual per capita consumption of poultry is about 30 kilos. Some changes in retail practices have contributed to the increase in the number of poultry products available in the last year and a half. These practices include offering boneless, skinless poultry and adding various spices to different fresh cut poultry pieces. Any small value-added practice that can be included or offered at the retail level is an opportunity to sell at prices higher than the established price controls for poultry, as only whole poultry, breast and leg quarters, fresh or frozen are under price controls.

Marketing

In order to compensate for declining profit margins that result from selling poultry meat at the controlled price, the industry continues to look for alternative ways to increase profitability, including increasing the production of processed poultry products. Specialized processed products such as frozen and precooked chicken nuggets; chicken pieces; marinated chicken; and other varieties of value-added poultry products will continue to grow rapidly in the next year or two. Again, these types of products are not subject to price controls.

During 2006, FAS/Caracas attended the "Poultry Show" in Atlanta, along with 100 to 125 Venezuelans. Attendance at this show exposes the Venezuelan poultry industry to state-of-the-art technology and developments in animal health issues, among other things.

Trade

The forecast for 2006 and 2007 is that poultry imports will grow by 20 and 25 percent, respectively. All poultry imports are carried out by the GOV, largely from Brazil. Poultry imports could grow further as Venezuela has recently joined Mercosur as a full member. At the time of writing this report there is no information about the level of trade preferences or exceptions given by Mercosur.

Notes to the Trade Figures

According to official government statistics, in 2005 poultry imports reached 38,707 metric tons. This is an increase of 56% as compared to 2004. However, the domestic poultry and animal feed industries disagree with the official government data. The industry has commented that poultry imports were between 88,000 metric tons to 112,000 metric tons.

Most recently, the Argentine national animal feed and food quality service (SENASA) announced that during the first five months of 2006, it exported 1,008 metric tons of poultry meat to Venezuela. These figures are not shown in Venezuelan official trade statistics.

The following table provides the monthly record of imports. The government carried all imports.

**Venezuela's Poultry Imports
(Metric tons)**

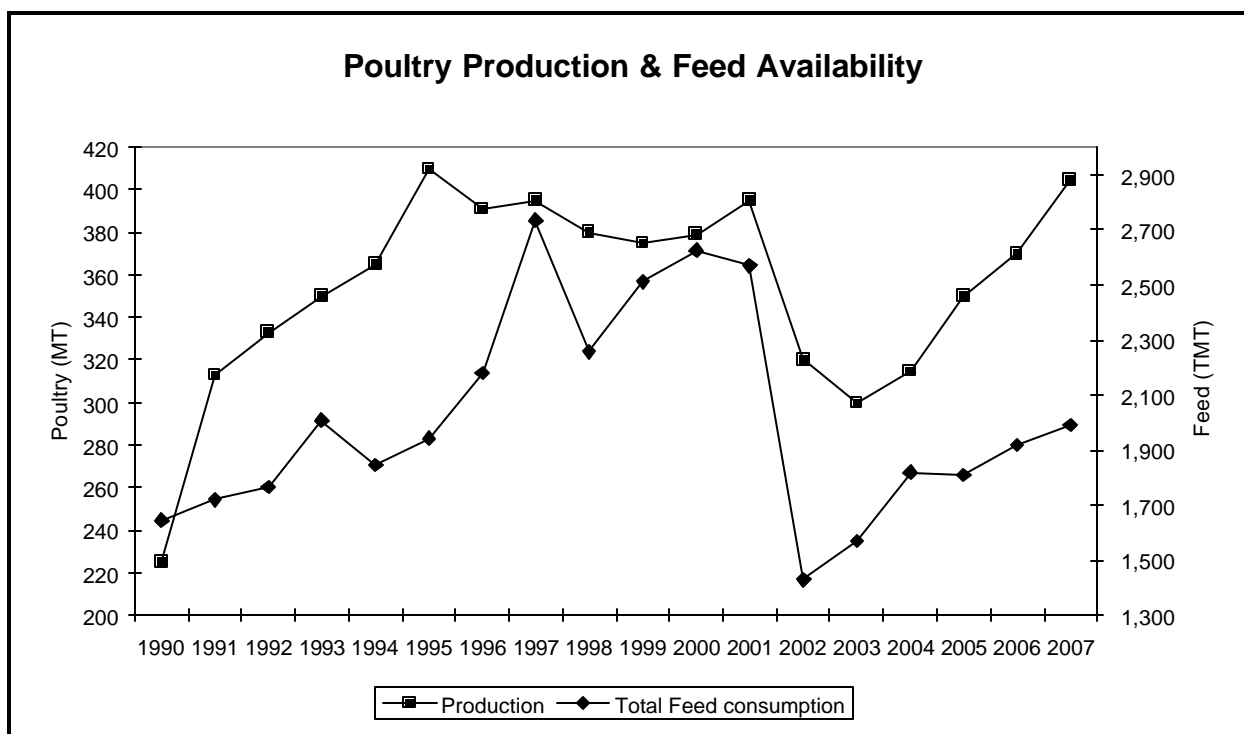
	2004	2005	2006*
Jan	4,679	-	-
Feb	-	6,019	-
Mar	-	1,278	-
Apr	-	2,728	8,640
May	-	11,190	
Jun	-	9,152	
Jul	2,924	8,340	
Aug	-	-	
Sep	3,826	-	
Oct	7,501	-	
Nov	3,755	-	
Dec	2,153	-	
Total	24,838	38,707	8,640

Source: SENIAT as reported to World Trade Atlas

Note: 2006 is not complete

PSD Table

Venezuela Poultry, Meat, Broiler							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2005		01/2006		01/2007	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	330	350	345	370	0	405	(1000 MT)
Whole, Imports	75	100	95	120	0	150	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	75	100	95	120	0	150	(1000 MT)
TOTAL SUPPLY	405	450	440	490	0	555	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	0	0	0	0	0	0	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Human Consumption	365	405	400	445	0	510	(1000 MT)
Other Use, Losses	40	45	40	45	0	45	(1000 MT)
Total Dom. Consumption	405	450	440	490	0	555	(1000 MT)
TOTAL Use	405	450	440	490	0	555	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	405	450	440	490	0	555	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)



Appendix I: Venezuelan Poultry Organizations and other Related Groups

For further information regarding poultry production and trade, please refer to the following organizations:

Federación Nacional de Avicultura de Venezuela (FENAVI)

(Venezuela's National Poultry Federation)

Contact: Mr. Francisco Tagliapetri, Executive President
Address: Av. Casanova, C.C. El Recreo, Torre Sur, piso 10, ofi.10-3, Caracas
Tel: 58-212-761-8843, 761-7489
Fax: 58-212-761-8843
Email: fenavi@cantv.net
Web: www.fenavi.com

Asociación Venezolana de Fabricantes de Alimentos Concentrados (AFACA)

(Venezuelan National Association of Animal Feed Manufacturers)

Contact: Mr. Henrique Pocaterra, President
Address: Boulevard de Sabana Grande, Edif. 3H, piso 4, Caracas
Tel: 58-212-762-0528, 762-0075
Fax: 58-212-762-2389
Email: presidenciafaca@cantv.net
Web: www.afaca.com.ve

Instituto Nacional de Estadística (INE)

(National Statistics Institute)

Address: Av. Boyacá, Edif. Fundación La Salle, piso 4, Mariperez, Caracas
Tel: 58-212-709-5311
Fax: 58-212-709-5317
Email: na
Web: www.ine.gob.ve